

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Alex Gurza

**SUBJECT:** SEE BELOW

**DATE:** June 11, 2013

Approved

Date

6/11/13

**SUBJECT: Implementation of Changes to Retiree Healthcare and Four-Tier Insurance Premium Rates for the Bargaining Units Representing Employees in the Federated City Employees' Retirement System and Modifications for Employees in Unit 99**

## REASON FOR ADDENDUM

Negotiations between the City and the bargaining units in a coalition setting had been on-going until an agreement was reached on June 10, 2013. In order to affect the retiree healthcare contribution rates scheduled to be set by the Federated City Employees' Retirement Board on June 20, 2013, this must be approved by the City Council on June 18, 2013.

## RECOMMENDATION

Adoption of resolutions to provide as follows:

- A. Approve the terms of agreements (attached) with the bargaining units listed below and authorizing the City Manager to execute the agreements effective June 23, 2013, pending ratification by their memberships:
1. Association of Building, Mechanical and Electrical Inspectors (ABMEI)
  2. Association of Engineers and Architects, IFPTE Local 21 (AEA Units 41/42 and 43)
  3. Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP)
  4. City Association of Management Personnel, IFPTE Local 21 (CAMP)
  5. International Brotherhood of Electrical Workers, Local No. 332 (IBEW)
  6. Municipal Employees' Federation, AFSCME Local 101 (MEF)
  7. Confidential Employees' Organization, AFSCME Local 101 (CEO)
  8. International Union of Operating Engineers, Local 3 (OE#3)
- B. Modify the retiree healthcare funding for Executive Management and Professional Employees (Unit 99) approved by the City Council on June 4, 2013, to be consistent with the

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provisions contained herein, specifically regarding the time period of extending the phase-in and the paying of the unfunded liability new employees in Tier 2 would otherwise have paid.

- C. Direct the Administration to bring forward a recommendation for establishing a Retiree Healthcare Reserve in the General Fund as part of the 2012-2013 Annual Report for the one-time savings generated from the recommendations related to the changes to the retiree healthcare funding provisions for employees in the Federated City Employees' Retirement System for 2013-2014.

## **OUTCOME**

Adoption of the resolution and authorization to execute the agreements that would modify retiree healthcare funding effective June 23, 2013, for employees represented by ABMEI, AEA, AMSP, CAMP, IBEW, MEF, OE#3 and CEO, eliminate retiree healthcare benefits for new employees and to implement four-tier health and dental insurance rates, effective January 1, 2014, pending ratification by the bargaining units.

Adoption of the resolution related to Unit 99 would amend the provisions approved by the City Council on June 4, 2013, to extend the phase-in to pre-funding of the ARC until December 20, 2014, and to continue to pay for the unfunded liability new employees would have otherwise paid had they gone into the retiree healthcare benefit.

## **BACKGROUND**

As currently reflected in the Municipal Code, an eligible retiree receives 100% of the cost of the lowest priced single or family healthcare plan available to active employees. Since the current benefit is tied to the cost of the premium rather than a fixed-dollar amount, the long-term cost of providing this benefit is integrally tied to the rising cost of healthcare. The City and employees share the cost of funding the retiree medical benefits on a 1:1 ratio, with retiree dental benefits shared on an 8:3 ratio (Municipal Code Section 3.28.385.)

From the inception of the benefit to 2009, the City and employees in the Federated system had been partially pre-funding the benefit by calculating contribution rates based on 15 year cash-flow projections. In 2009, the City and all employees in the Federated City Employees' Retirement System began a phase-in to paying the Annual Required Contribution (ARC). Under these funding provisions, all employees in the Federated System began to phase-in to fully funding the Annual Required Contribution (ARC) by increasing the City and employee contributions by 0.75% per fiscal year. In Fiscal Year 2013-2014, the City and employees would pay the full ARC. In Fiscal Year 2013-2014, the full ARC has been calculated by the Federated Retirement Board's actuary, Cheiron, to be 22.67%. The retiree healthcare actuarial valuation also estimates the total unfunded liability for the Federated System to be \$604 million. As of June 30, 2012, the current funding ratio of the retiree healthcare plan is 19%.

On June 12, 2012, the City Council implemented Tier 2 for new employees hired into the Federated City Employees' Retirement System on or after September 30, 2012. The Tier 2 retirement benefit accrual program has a normal age of retirement at age 65. In addition, at age

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65, all retirees are required to enroll in Medicare Parts A and B or, if they do not enroll, these retirees will consequently no longer be eligible to receive retiree healthcare coverage.

The Association of Legal Professionals (ALP) and the City did not reach an agreement on the issues contained herein. Until and unless the negotiation process with ALP results in a change of the status quo, new employees represented by ALP will continue to go into the retiree healthcare program and employees represented by ALP will be subject to the full pre-funding of the Annual Required Contribution effective June 23, 2013. The City and ALP will be continuing to negotiate over these issues.

## ANALYSIS

In the previous Federated Retirement System retiree healthcare actuarial valuation (as of June 30, 2011), the actuaries had estimated the total ARC to be 32.34% of payroll. As the cost of the retiree medical benefit is shared on a 1:1 ratio, the City and employees in the Federated System were facing an estimated 15% contribution rate effective June 23, 2013. Understandably, this significant increase in the retiree healthcare contribution rate raised concerns.

However, the almost \$200 million reduction in the retiree healthcare unfunded liability due to health plan changes significantly reduced the total ARC for Fiscal Year 2013-2014. The total ARC will be 22.67% of payroll, according to the June 30, 2012 actuarial valuation produced by the Federated Board's actuary. This will decrease the expected contribution rates for the City and employees, to 11.93% and 10.74%, respectively. However, the 4.02% increase for the City and 3.48% increase for employees in retiree healthcare contributions from the previous year is still a significant increase in the contribution rate in one year for the City and employees.

With this in mind and with recognition of the importance of funding the current retiree healthcare benefit, the City engaged the bargaining units in coalition bargaining over the issue of retiree healthcare, with the first meeting occurring on September 13, 2012. At the conclusion of the retiree healthcare coalition sessions, the City and the bargaining units came to an agreement that the full ARC phase-in would be extended for eighteen months, in addition to several other changes to the eligibility of new employees and insurance premium structures. The eighteen-month extension of the phase-in schedule allows for time to continue exploring options, including ways to reduce the unfunded liability and the cost of the retiree healthcare benefit for both the City and employees. As part of these agreements, and in recognition that controlling retiree healthcare costs is a mutual issue facing both the City and employees, the City and the Coalition, which is comprised of the above bargaining units, shall form a Retiree Healthcare Solutions Working Group with the goal of developing options that lead to long-term solutions to the retiree healthcare issue.

The Tentative Agreements are pending ratification by the memberships of the bargaining units. Each bargaining unit will notify the City of the ratification results prior to the June 18, 2013, City Council meeting. Subject to Council approval, the Tentative Agreements will be effective for the bargaining units who ratify the agreement.

The following is a summary of the changes contained in the agreements:

- Limit the maximum City and employee retiree healthcare contribution in Fiscal Year 2013-2014 to an incremental increase of 0.75% from the previous Fiscal Year's contribution rate, (i.e. the City would contribute 8.66% and employees would contribute 8.01%) effective June 23, 2013;
- Limit the maximum City and employee retiree healthcare contribution at the beginning of Fiscal Year 2014-2015 through December 20, 2014 to an incremental increase of 0.75% from the previous Fiscal Year's contribution rate (approval will also apply this provision to employees in Unit 99);
- Contribute the contribution rate based upon the full Annual Required Contribution beginning on December 21, 2014 and all subsequent Fiscal Years (approval will also apply this provision to employees in Unit 99);
- Exclude new employees hired into a position represented by one of the aforementioned bargaining units from the retiree healthcare benefit after the effective date of the ordinance implementing this provision;
- After the effective date of the ordinance, the City will pay the City's portion and the portion of the unfunded liability that the new Tier 2 employees would have otherwise paid had they been eligible for retiree healthcare (approval will also apply this provision to Tier 2 employees in Unit 99);
- Require employee contributions to be placed into the 115 retiree healthcare trust account in time to avoid the IRS subordination limit in the 401(h) account or upon advice of Tax Counsel or receipt of IRS ruling that contributions are pre-tax, whichever occurs first;
- Create four-tier medical and dental insurance premium rates, which are single, single plus spouse/domestic partner, single plus child(ren), and family. This would be effective January 1, 2014; and
- In recognition that controlling retiree healthcare costs is a mutual issue facing both the City and employees, the City and the Coalition, which is comprised of the above bargaining units, shall form a Retiree Healthcare Solutions Working Group with the goal of developing options that lead to long-term solutions to the retiree healthcare issue. A member of Unit 99 will also be invited to participate in the working group.

#### Retiree Healthcare Funding

As noted above, the City and employees in the Federated System are scheduled to pay the full Annual Required Contribution for retiree healthcare effective June 23, 2013. Due to the significant increase in contributions, it is recommended that the phase-in be extended by eighteen months to December 20, 2014. This extension of the incremental increase would allow the City and employees time to discuss possible solutions and cost-saving measures. The 0.75% phase-in extension, increasing by 0.75% in July 2013 and July 2014, provides temporary relief from the significant increase in the contribution rates that was scheduled to occur at the beginning of Fiscal Year 2013-2014, but still provides for a ramp-up to the full funding of the ARC. The chart below indicates the difference in contribution rates due to an extension to the phase-in. Though the extension is not a solution, it does help to alleviate concerns regarding the Annual Required Contribution while the City and stakeholders continue to discuss long-term solutions. Provided that no other actions are taken, the City and the bargaining units will start contributing based on

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the contribution rates set for the full ARC on December 21, 2014, as calculated in the June 30, 2013 valuation.

<b>Fiscal Year 2013-2014</b>	<b>Actuarial Annual Required Contribution (ARC) Rates</b>	<b>Extended Phase-In Contribution Rates</b>	<b>Difference Between Full ARC and Phase-In Rates</b>
Federated City Contribution Rate*	11.93%	8.66%	3.27%
Federated Employee Contribution Rate	10.74%	8.01%	2.73%

\* Does not include the discount for pre-paying the ARC, which is applicable to Federated Tier 1 contributions.

### Section 115 Trust

The Board's actuary has performed a subordination limit test on the Federated trust account as it pertains to the IRS limit placed on the ratio of retiree healthcare contributions to pension contributions. The limit of funds in the 401(h) account is a 25% ratio compared to the pension contributions. Based on the contribution rates determined by the actuary and the supposition that all assumptions are met, the ratio of funds will be over the limit at 25.1% in Fiscal Year 2013-2014, according the actuary's letter to the Federated Board dated February 8, 2013. This was based on the City and employees paying the Annual Required Contribution effective June 23, 2013.

A Section 115 trust account was established in 2011 to ensure that the 401(h) account would not exceed the IRS limit. This particular trust vehicle was chosen as the most appropriate based on the construction of the retiree healthcare benefit. It is important to note that exceeding the subordination limit may jeopardize the tax status of the retirement plan. In order to ensure the tax status is not jeopardized, employee contributions will need to be placed in the 115 trust or another suitable trust vehicle, either in time to make sure the IRS limit is not reached or upon receipt of an IRS ruling confirming the pre-tax status of the contributions, whichever is the first to occur. As of now, only City contributions are being placed into the 115 retiree healthcare trust. In order to avoid reaching the subordination limit, the bargaining units have agreed to commence placing the contribution amounts in the 115 retiree healthcare trust in time to avoid the IRS limit or upon receipt of an IRS ruling of the pre-tax status, whichever occurs first. Should contributions begin going into the 115 trust before an IRS ruling, the City has agreed to indemnify an employee of any IRS liability prior to the IRS determination that the contributions should be post-tax. If this occurs, the City and the bargaining units have agreed to immediately commence bargaining over an alternate trust vehicle for prospective contributions.

If approved, MEF and CEO agree that this agreement will resolve an outstanding complaint filed by those bargaining units with the Public Employment Relations Board (PERB).

### New Employees Hired Into the Federated Tier 2 Benefit Plan

As noted above, employees represented by the Federated bargaining units who go into the Tier 2 benefit plan are not eligible to retire until age 65, but contribute to the normal and unfunded liability costs of retiree healthcare. It is concerning to have these employees pay such a high cost for a benefit that will have little value, as the major value of the retiree healthcare benefit comes in the pre-Medicare years. In addition, once in the current plan, options for those employees may be limited. Making these employees ineligible for retiree healthcare at this point in time does not preclude the City from offering other new employees a retiree healthcare benefit in the future.

For new employees going into Tier 2, the City will pay the City's portion of the unfunded liability and the unfunded liability that these new employees would have paid had they been eligible for the retiree healthcare benefit. It is important to note that the concerns that were articulated regarding making employees ineligible for the plan and thereby closing the retiree healthcare plan, has been addressed through the City paying for the unfunded liability the new employees otherwise would have been paying. The City recognizes the impact of closing the plan to new employees and has discussed the potential implications with the bargaining units; however, neither the City nor the bargaining units have committed to close the plan. This action has been recommended while the stakeholders work on long-term solutions through the Working Group and subsequent negotiations.

### Four-Tier Rates

Under the current system, employees only have the single or family rate option for healthcare. There are many agencies that moved to multiple tier health rate structures. In a four-tier rate system, the enrollment options for employees will be either single, single plus spouse/domestic partner, single plus child(ren), and family coverage that includes a spouse/domestic partner and child(ren). With a four-tier health and dental premium rates structure, an employee would have more options to better fit the needs of that person's particular situation. The four-tier system rate structure would be available during open enrollment to be effective January 1, 2014. Since retirees choose among the plan options available to active employees, they will also be able to choose among the four-tier plan options, depending on the size and composition of their families.

### Stakeholder Solutions Working Group

In order to provide a collaborative setting to discuss the possible options and alternatives for the City and the employee's significant challenges surrounding the retiree healthcare issue, the City and the aforementioned bargaining units have agreed to immediately continue working on solutions to the retiree healthcare issue through the Retiree Healthcare Stakeholder Solutions Working Group and negotiations. This Working Group will have a goal of developing options that lead to long-term solutions for the issue. The options to be discussed will include, but are not limited to:

- Using high-deductible healthcare plans in combination with individual health savings accounts,

- Placing limitations on the current retiree healthcare benefit in combination with individual health savings accounts,
- Tiering healthcare benefit structures based on length of employment, modifying eligibility requirements;
- Changing health plan design and rate structure changes, incentivizing employees to work beyond normal retirement eligibility,
- Including or excluding of new employees in any modifications or the formation of a completely different plan for new employees.

The City and the bargaining units have agreed to hire a facilitator that is knowledgeable about retiree healthcare to lead the discussions and assist in the development of potential options. By mutual agreement of the City and the bargaining units, other subject matter experts can be retained to assist in analyzing possible solutions. The Working Group will include a representative of the retirees as well as someone from unrepresented employee units. Each session will be open to employees and the public.

The City and the bargaining units have agreed that the facilitator will be mutually agreed upon by August 1, 2013. The time period for the Working Group sessions to take place is recommended to take place from August 1, 2013 to December 31, 2013, with the option to extend the time frame upon mutual agreement among all the parties. This process will not supplant the meet and confer process and the City and the bargaining units can commence negotiations over retiree healthcare benefits and funding no later than 14 days upon notice of either party, but no earlier than January 1, 2014.

### **EVALUATION AND FOLLOW-UP**

For changes that require a Municipal Code change, an ordinance will be brought back to Council at a later date. This memorandum will be sent to the Federated City Employees' Retirement System Board for the June 20, 2013 meeting. We will be holding the Working Group sessions in the timeframe noted above. We have also invited the two retiree associations to meet to discuss this issue.

### **PUBLIC OUTREACH/INTEREST**

- ☐ Criterion 1: Requires Council action on the use of public funds equal to \$1,000,000 or greater. (Required: Website Posting)
- ☐ Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- ☐ Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This memo does not meet any of the above criteria, but will be posted with the June 18, 2013, Council Agenda.

### **COST IMPLICATIONS**

The 2013-2014 Proposed Operating Budget assumed the full payment of the Annual Required Contribution (ARC) for Retiree Healthcare for the Federated Retirement System as outlined in the Federated Retirement System Board approved valuation as of June 30, 2012. With another eighteen months of phase-in to pay the full ARC, the City and employees' 2013-2014 and 2014-2015 contributions for Retiree Healthcare will be reduced. Based on the 2013-2014 Base Budget, for the City, this 2013-2014 phase-in for all Federated Retirement System employee groups would generate approximately \$4.2 million in one-time savings in the General Fund (approximately \$8.0 million in one-time savings in all funds). If the City Council approves the recommendation that the City will pay the City's portion of the unfunded liability related to new Tier 2 employees and the unfunded liability that new Tier 2 employees hired on or after the effective date of the ordinance would have paid had they been eligible for the retiree healthcare benefit, the 2013-2014 new cost to the General Fund is the new Tier 2 employees' unfunded liability which is approximately \$0.8 million (\$1.5 million all funds). Therefore, the 2013-2014 net savings is estimated at approximately \$3.4 million in the General Fund (\$6.5 million in all funds). It should be noted that these savings estimate are based on the 2013-2014 Forecast Budget which assumes a certain complement of filled and vacant Tier 2 positions. As the City is able to fill vacant positions prior to the effective date of the ordinance, the actual net savings may be quite different.

The net cost calculation for 2014-2015 are based on the 2013-2014 Base Budget, the Federated Retirement Board actuary's (Cheiron) projection for Tier 2 pensionable payroll as of January 31, 2013, and the normal cost based on the June 30, 2012 valuation for Retiree Healthcare. As the 2014-2018 General Fund Forecast assumes the full payment of the Retiree Healthcare annual required contribution, for the City, the 2014-2015 phase-in for all Federated Retirement System employee groups through December 20, 2014 would generate approximately \$1.8 million in one-time savings in the General Fund (approximately \$3.5 million in one-time savings in all funds). If the City Council approves the recommendation that the City will pay the City's portion of the unfunded liability related to new Tier 2 employees and the unfunded liability that new Tier 2 employees hired on or after the effective date of the ordinance would have paid had they been eligible for the retiree healthcare benefit, the 2014-2015 new cost to the General Fund is the new Tier 2 employees' unfunded liability which is approximately \$0.5 million (\$0.9 million all funds). Therefore, the 2014-2015 net savings is estimated at approximately \$1.3 million in the General Fund (\$2.6 million in all funds). It should be noted that these savings estimate are based on the 2013-2014 Forecast Budget which assumes a certain complement of filled and vacant Tier 2 positions. As the City is able to fill vacant positions prior to the effective date of the ordinance or as Cheiron updates its pensionable payroll projection for Tier 2 employees in winter 2014, the actual net savings may be quite different.

If the City Council approves this recommendation, the Administration intends to bring forward a request to the Federated Retirement System Board for its June 20, 2013, Board Meeting to amend the City's contribution rates for 2013-2014. Due to the timing for final approval, the



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Representing Employees in the Federated City Employees' Retirement System**

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Administration further recommends to establish a Retiree Healthcare Reserve in the General Fund. This reserve which would include any one-time savings generated from this memorandum would be established as part of the 2013-2014 final reconciliation of the City's annual required retirement contributions and brought forward for City Council consideration as part of the approval of the 2012-2013 Annual Report scheduled for October 2013.

### **COORDINATION**

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **CEQA**

Not a Project, File No. PP 10-069 (b), Personnel Related Decisions.



Alex Gurza  
Deputy City Manager

For questions please contact Jennifer Schembri, Deputy Director of the Office of Employee Relations, at (408) 535-8154.

## Side Letter Agreement

### RETIREE HEALTHCARE STAKEHOLDER SOLUTIONS WORKING GROUP AND NEGOTIATIONS

#### PURPOSE

The parties recognize the importance of funding the current retiree healthcare benefit, and since 2009, have been increasing contributions into the plan in order to begin paying the full Annual Required Contribution to ensure funding of the retiree healthcare benefit.

Neither the City nor the bargaining units have committed to close the plan. However, new employees will not enter the existing retiree healthcare plan. Since current employees share in paying the unfunded liabilities of the current retiree healthcare benefit, new employees who are not in the current plan would not be making those payments. The City has agreed to make the contributions towards the unfunded liabilities that those new employees would have paid had they been in the current plan. The City has agreed to do so in order to allow time for long-term solutions to be developed by a Retiree Healthcare Solutions Working Group ("Working Group") and negotiations.

The goal of the Working Group shall be to develop options that lead to long-term solutions to the retiree healthcare issue.

The City and the Coalition<sup>1</sup> have agreed to immediately continue working on solutions to retiree healthcare both through the Working Group and subsequent negotiations. The parties are committed to working collaboratively towards long-term solutions and have agreed to remain open to considering various options. The options considered will include, but are not limited to, the following:

- Using high-deductible healthcare plans in combination with individual health savings accounts;
- Limitations on the current retiree healthcare benefit in combination with individual health savings accounts;
- Tiered healthcare benefit structures based on length of employment;
- Modification of eligibility requirements;
- Health plan design and rate structure changes;
- Incentives for employees to work beyond normal retirement eligibility; and
- The inclusion or exclusion of new employees in any modifications, or the formation of a completely different plan for new employees.

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<sup>1</sup> The San Jose Federated Labor Coalition consists of the following nine (9) bargaining units: Association of Building, Mechanical, and Electrical Inspectors (ABMEI), Association of Engineers and Architects (AEA), Association of Legal Professionals (ALP), Association of Maintenance Supervisory Personnel (AMSP), City Association of Management Personnel (CAMP), Confidential Employees' Organization (CEO), International Brotherhood of Electrical Workers (IBEW), Municipal Employees' Federation (MEF) and International Union of Operating Engineers, Local #3 (OE#3).

## **RETIREE HEALTHCARE STAKEHOLDER SOLUTIONS WORKING GROUP**

### **Facilitator:**

By August 1, 2013, the City and the Coalition members will mutually agree on an independent person or entity that is knowledgeable in the area of retiree healthcare benefits to facilitate the Working Group.

The facilitator will facilitate the discussions, provide information to the parties, and generally assist in the development of options for long-term solutions. Upon the mutual agreement of the City and Coalition members, other subject matter experts may be engaged to assist in analyzing possible solutions.

The costs of the facilitator and any subject matter experts will be shared equally between the City and the Coalition members.

### **Participation:**

In addition to the City and a representative from each bargaining unit in the Coalition, members of the Working Committee will include a representative of the retirees, and any unrepresented employee group(s).

### **Meetings:**

The City and the Coalition will jointly schedule Working Group sessions in coordination with the facilitator. More frequent and longer Working Group sessions will be scheduled in the early stages of the process. The Working Group sessions will be open to employees and the public.

## **TIMELINE FOR RETIREE HEALTHCARE SOLUTIONS WORKING GROUP AND NEGOTIATIONS:**

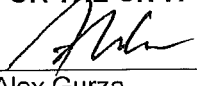
The Working Group shall agree upon a facilitator no later than August 1, 2013. The time period to schedule Working Group sessions will be from August 1, 2013, and conclude no later than December 31, 2013, unless the parties mutually agree to extend the timeframe. The City and the Coalition agree that this process will not supplant the meet and confer process regarding retiree healthcare.

Negotiations between the City and the bargaining units shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and the bargaining units shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply. The parties intend to meet and confer through coalition bargaining. However, all parties reserve their respective rights to withdraw from coalition bargaining. In such an event, the City and any bargaining unit that withdraws from the Coalition will bargain separately.

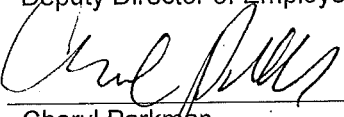
Side Letter Agreement  
Retiree Healthcare Stakeholder Solutions Working Group and Negotiations

This Side Letter Agreement is considered part of the tentative agreement on retiree healthcare with the bargaining units and shall become effective only as part of the overall retiree healthcare agreement. Each bargaining unit conducts separate ratification processes, and this Side Letter Agreement shall be effective for those bargaining units who ratify the overall tentative agreement on retiree healthcare and only during the term of those agreements with each respective bargaining unit.

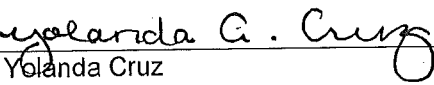
FOR THE CITY:


  
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Alex Gurza  
Deputy City Manager  
6-11-13  
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Date

  
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Jennifer Schembri  
Deputy Director of Employee Relations  
6/11/13  
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Date

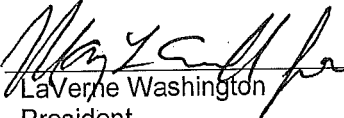
  
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Cheryl Parkman  
Executive Analyst  
Office of Employee Relations  
6/11/13  
\_\_\_\_\_  
Date


FOR THE UNION:

  
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Yolanda Cruz  
President  
MEF, AFSCME Local 101  
6/10/13  
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Date

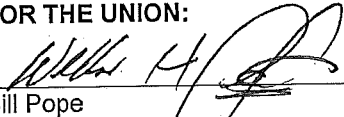
  
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Charles Allen  
Business Agent  
AFSCME, Local 101  
6/10/13  
\_\_\_\_\_  
Date

FOR THE UNION:

  
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LaVerne Washington  
President  
CEO, AFSCME Local 101  
6/10/13  
\_\_\_\_\_  
Date

  
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Charles Allen  
Business Agent  
AFSCME, Local 101  
6/10/13  
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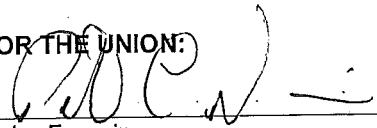
FOR THE UNION:

  
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Bill Pope  
Business Representative  
Operating Engineers, Local 3  
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Date

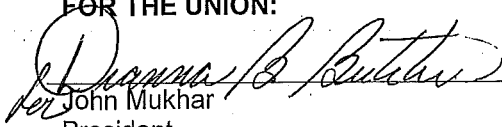
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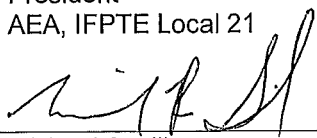
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Vera Todorov  
President  
ALP  
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FOR THE UNION:

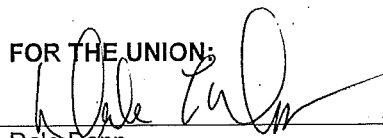
  
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Peter Fenerin  
President  
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Date

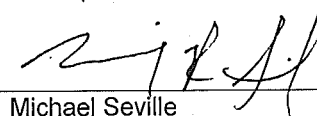
FOR THE UNION:

  
John Mukhar  
President  
AEA, IFPTE Local 21  
6/10/13  
Date

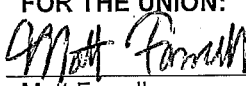
  
Michael Seville  
Acting Senior Representative  
IFPTE, Local 101  
6/10/13  
Date

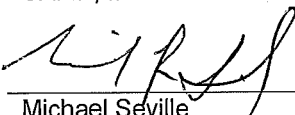
FOR THE UNION:

  
Dale Dapp  
President  
AMSP, IFPTE Local 21  
6/10/2013  
Date

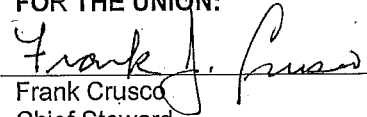
  
Michael Seville  
Acting Senior Representative  
IFPTE, Local 101  
6/10/13  
Date

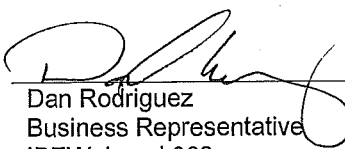
FOR THE UNION:

  
Matt Farrell  
President  
CAMP, IFPTE Local 21  
6/10/2013  
Date

  
Michael Seville  
Acting Senior Representative  
IFPTE, Local 101  
6/10/13  
Date

FOR THE UNION:

  
Frank Crusco  
Chief Steward  
IBEW, Local 332  
6-10-13  
Date

  
Dan Rodriguez  
Business Representative  
IBEW, Local 332  
6/10/13  
Date

CITY OF SAN JOSE – ABMEI  
TENTATIVE AGREEMENT

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CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 25 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 25.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition ~~shall be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 28, 2009.~~ began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) ~~(1) and (3)~~ of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 25.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above this~~ agreement and that the Employee Organization will support such amendments.
- 25.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be divided ~~into five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was~~ the first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~ the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal

**CITY OF SAN JOSE – ABMEI  
TENTATIVE AGREEMENT**

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year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase-in, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

- 25.4 The City will ~~has~~ established a qualified 115 trust ("Trust"). Employee contributions will begin going into the Trust in time to avoid any potential of reaching IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.
- 25.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.
- 25.6 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.
- 25.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.
- 25.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

**ARTICLE 9 FULL UNDERSTANDING, MODIFICATION AND WAIVER**

- 9.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memoranda of Understanding, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.
- 9.2 Existing benefits provided by ordinance or resolution of the City Council or as provided in the San Jose Municipal Code and which are referenced in the Agreement shall be provided in accordance with the terms of the Agreement.
- 9.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.
- 9.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.
- 9.5 The City agrees to meet and confer with the Union prior to contracting out work currently performed by bargaining unit members whenever such contracting out would result in material reduction of work done by bargaining unit members or would have significant adverse impact on bargaining unit work. It is agreed that position reductions, which result in lay-off of employees in the bargaining unit constitute significant impact on bargaining unit work.

**9.6 Healthcare Cost Mitigation**

- 9.6.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.
- 9.6.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.



**CITY OF SAN JOSE – ABMEI  
TENTATIVE AGREEMENT**

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**5.3 Health Insurance**

5.3.1 The City will provide health coverage for eligible full-time employees and their dependents in accordance with one of the available plans. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren), and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

An employee may not be simultaneously covered by City-provided medical benefits as a City employee and as a dependent of another City employee or retiree.

~~5.3.2 The City will pay eighty five percent (85%) of the full premium of the lowest cost plan for employee or for employee and dependent coverage, and the employee will pay fifteen percent (15%) of the premium for the lowest priced plan for employee or for employee and dependent coverage. If an employee selects a plan other than the lowest priced plan for employee or for employee and dependent coverage, the employee shall pay the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan for employee or for employee and dependent coverage.~~

5.3.2 Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013 Kaiser Permanente Deductible 1500 HMO Benefit Plan 3800 will be available to employees represented by ABMEI in addition to existing plan options.*

**CITY OF SAN JOSE – ABMEI  
TENTATIVE AGREEMENT**


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**5.4 Dental Insurance**

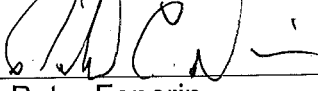
5.4.1 The City will provide dental coverage for eligible full-time employees and their dependents. As of the date of this Agreement, the plans include an indemnity plan and a DHMO plan. These programs are described in the City of San Jose Employee Benefits Handbook and in pamphlets available in the Human Resources Department. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar 2014, which starts December 22, 2013.

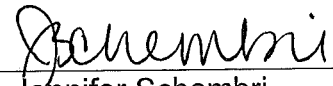
***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***

**FOR THE CITY:**

 6-11-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

**FOR THE UNION:**

 6/10/13  
\_\_\_\_\_  
Peter Fenerin Date  
President  
ABMEI

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/11/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21  
TENTATIVE AGREEMENT

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CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

**ARTICLE 12 RETIREE HEALTHCARE FUNDING AND BENEFITS**

- 12.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years ~~beginning~~ began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 12.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above~~ this agreement and that the Employee Organization will support such amendments.
- 12.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be ~~divided into five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was~~ first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~ the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of

**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21**  
**TENTATIVE AGREEMENT**

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pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase in, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

- 12.4 The City will ~~has~~ established a qualified 115 trust ("Trust") before June 27, 2010. Employee contributions will begin going into the Trust in time to avoid any potential of reaching the IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.
- 12.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.
- 12.6 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.
- 12.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.
- 12.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21**  
**TENTATIVE AGREEMENT**

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**3.1 Full Understanding, Modification and Waiver**

3.1.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memoranda of Understanding, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.

3.1.2 Existing benefits within the scope of representation provided by ordinance or resolution of the City Council or as provided in the San Jose Municipal Code shall be continued without change during the term of this Agreement and be provided in accordance with the terms of the Agreement.

3.1.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.

3.1.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.

**3.1.5 Reopener**

3.1.5.1 Total Compensation. In the event that the City reaches a settlement with any other employee unit covering the time period of this Agreement that has an ongoing total compensation reduction of less than ten percent (10%), in any form or manner, this agreement will reopen on the subject of total compensation and the parties will meet and confer to determine how the difference between a 10% ongoing total compensation reduction and the lesser amount agreed to with any other employee unit will be provided.

This provision will also apply in the event the City reaches a settlement which does not include the roll back of any general wage increase (not including any step and/or merit increases), as authorized by the City Council on November 25, 2010, received by any employee unit in Fiscal Year 2010-2011.

This provision will not apply to any changes made to any employee unit which occurs as the result of an interest arbitration award that is the result of contested issues resolved only via a full evidentiary hearing and substantive briefing.

**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21**  
**TENTATIVE AGREEMENT**

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3.1.5.2 Vacation Sellback. In the event the City reaches a settlement with any other employee unit eligible to sell back accrued vacation hours that does not eliminate the Vacation Sellback program effective the beginning of the first pay period of payroll calendar year 2013, absent other equivalent concessions received from such employee unit in lieu of eliminating Vacation Sellback, this agreement will reopen on the subject of Vacation Sellback and the parties will meet and confer to determine the provisions of the Vacation Sellback program for payroll calendar year 2013.

3.1.5.3 Disability Leave Supplement (DLS). In the event the City reaches a settlement with any other employee unit, excluding any employees covered by Labor Code Section 4850, that does not eliminate DLS effective June 24, 2012, this agreement will reopen on the subject of DLS and the parties will meet and confer to determine the provisions of the DLS program for the time period between June 24, 2012, and the term of this agreement.

3.2 Healthcare Cost Mitigation

3.2.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.

3.2.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

11.1 Health Insurance

11.1.1 The City will provide health coverage for eligible full-time employees and their dependents in accordance with one of the available plans. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

~~11.1.2 Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the~~

**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

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~~total cost of the selected plan and the City's contribution towards the lowest price plan.~~

11.1.2 Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by AEA in addition to the existing plan options.*

**11.2 Dental Insurance**

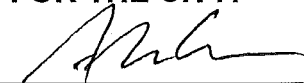
11.2.1 The City will provide dental coverage for eligible full-time employees and their dependents. As of the date of this Agreement the plans include an indemnity plan and a DHMO plan. These plans are described in the City of San Jose Employee Benefits Handbook and in pamphlets available in the Human Resources Department. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

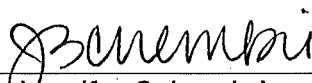
**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

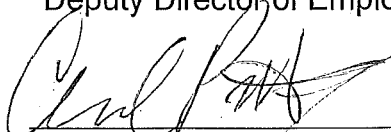
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***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***

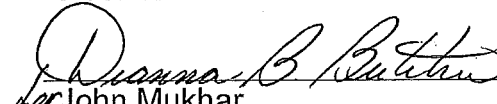
**FOR THE CITY:**

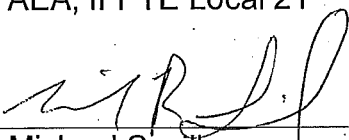
 6-11-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/11/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

**FOR THE UNION:**

 6/10/13  
\_\_\_\_\_  
for John Mukhar Date  
President  
AEA, IFPTE Local 21

 6/10/13  
\_\_\_\_\_  
Michael Seville Date  
Acting Senior Representative  
IFPTE, Local 21



**CITY OF SAN JOSE – AMSP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

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**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**RETIREE HEALTHCARE FUNDING AND BENEFITS**

Employees may be eligible to receive retiree healthcare benefits, in accordance with the San Jose Municipal Code.

The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). ~~The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning~~began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) ~~(1) and (3)~~ of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.

The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above this~~ agreement and that the Employee Organization will support such amendments.

It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. ~~The phase-in to the ARC shall be divided into five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year. The first increment of the phase in which was shall be effective~~was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the

**CITY OF SAN JOSE – AMSP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

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subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase-in, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the Plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

The City will ~~has~~ established a qualified 115 trust ("Trust") ~~before June 27, 2010. Employee contributions will begin going into the Trust in time to avoid any potential of reaching IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.~~

If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.

It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.

Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.

Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Section.

**CITY OF SAN JOSE – AMSP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

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**HEALTHCARE COST MITIGATION**

Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.

Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

**HEALTH INSURANCE**

Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

~~Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by AMSP in addition to the existing plan options.*

**CITY OF SAN JOSE – AMSP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**


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**DENTAL INSURANCE**

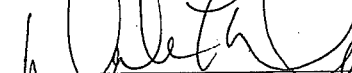
The City will provide dental insurance for eligible employees and their dependents in accordance with one of the two available plans. Both of these plans are described in detail in the City of San Jose Employee Benefits Handbook and in pamphlets available in the Human Resources Department. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.


***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***

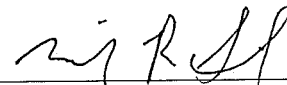
**FOR THE CITY:**

 6-11-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

**FOR THE UNION:**

 6/10/2013  
\_\_\_\_\_  
Dale Dapp Date  
President  
AMSP, IFPTE Local 21

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/10/13  
\_\_\_\_\_  
Michael Seville Date  
Acting Senior Representative  
IFPTE, Local 21

 6/11/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**RETIREE HEALTHCARE FUNDING AND BENEFITS**

The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years ~~beginning~~began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.

The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above~~this agreement and that the Employee Organization will support such amendments.

It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be ~~divided into five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year.~~ The first increment of the phase-in shall be effective which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase-in, the City and plan members shall be contributing the contribution rate

**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21**  
**TENTATIVE AGREEMENT**

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based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

The City will ~~has~~ established a qualified 115 trust ("Trust") before June 27, 2010. Employee contributions will begin going into the Trust in time to avoid any potential of reaching IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.

If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.

It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.

Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.

Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Section.

**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21**  
**TENTATIVE AGREEMENT**

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**HEALTHCARE COST MITIGATION**

Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.

Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

**HEALTH INSURANCE**

Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

~~Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan, If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by CAMP in addition to the existing plan options.*

**DENTAL INSURANCE**

The City will provide dental insurance for eligible employees and their dependents in accordance with one of the two available plans. Both of these plans are described in detail in the City of San Jose Employee Benefits Handbook and in pamphlets available in the Human Resources Department. Effective January 1, 2014, all available plans will


**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21  
TENTATIVE AGREEMENT**

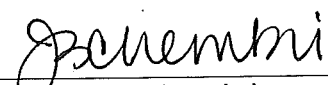
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have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***

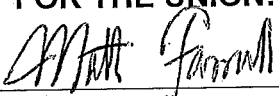
**FOR THE CITY:**

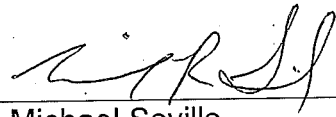
 6-10-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/16/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

**FOR THE UNION:**

 6/10/2013  
\_\_\_\_\_  
Matt Farrell Date  
President  
CAMP, IFPTE Local 21

 6/10/13  
\_\_\_\_\_  
Michael Seville Date  
Acting Senior Representative  
IFPTE, Local 21



**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

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**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**ARTICLE 26 RETIREE HEALTHCARE FUNDING AND BENEFITS  
(Current Article 26 and subsequent articles to be re-numbered)**

- 26.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition shall ~~be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 28, 2009~~ began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 26.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above~~ this agreement and that the Employee Organization will support such amendments.
- 26.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be divided into five steps ~~(using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was~~ The first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~ the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each

**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

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fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, ~~by the end of the five year phase-in,~~ the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

- 26.4 The City ~~will~~ has established a qualified 115 trust ("Trust"). ~~before June 27, 2010. Employee contributions will begin going into the Trust in time to avoid any potential of reaching IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.~~
- 26.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax. The parties agree that the foregoing resolves the issues underlying unfair practice charge no. SF-CE-972-M filed by the Employee Organization on June 18, 2012. Therefore, the Employee Organization agrees to withdraw the charge no later than fifteen (15) calendar days after the execution of this agreement.
- 26.6 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.
- 26.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.

**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

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- 26.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

**ARTICLE 4 FULL UNDERSTANDING, MODIFICATION AND WAIVER**

- 4.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memoranda of Understanding, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.
- 4.2 Existing benefits within the scope of representation provided by ordinance or resolution of the City Council or provided in the San Jose Municipal Code shall be continued without change during the term of this Agreement. Such existing benefits that are referenced in the Agreement shall be provided in accordance with the terms of the Agreement.
- 4.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.
- 4.4 Existing benefits within the scope of representation provided in the City Policy Manual and the Human Resources Benefits Handbook shall be continued without change during the term of this agreement, unless advance notice is given to the Union, pursuant to Article 37.
- 4.5 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.
- 4.6 Healthcare Cost Mitigation~~Notwithstanding Article 4.5 and Article 25, the City and the Organization have agreed to continue negotiations regarding retiree healthcare benefits. The duly authorized representatives of the parties shall meet and confer in good faith in an effort to reach a mutual agreement with respect to retiree healthcare benefits. If no agreement is reached, the parties will follow the impasse procedures set forth in the City of San Jose's Employer-Employee Relations Resolution (#39367) and the Meyers-Millias-Brown Act. The parties understand that this means that, notwithstanding any other provision of this agreement, the City will have the right to unilaterally implement in the event that no agreement is reached at the conclusion of negotiations and mandatory impasse procedures.~~

**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

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4.6.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.

4.6.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

**7.6 Health Insurance**

The City will provide health coverage for eligible full-time employees and their dependents in accordance with one of the available plans. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

~~7.6.1 Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

7.6.1 Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by CEO in addition to the existing plan options.*

**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

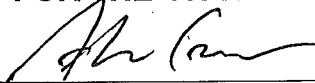
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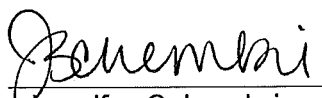
**7.7 Dental Insurance**

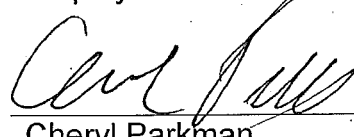
7.7.1 The City will provide dental coverage for eligible full-time employees and their dependents in accordance with one of the two available plans. The plans are described in the City of San Jose Employee Benefits Handbook. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***


**FOR THE CITY:**

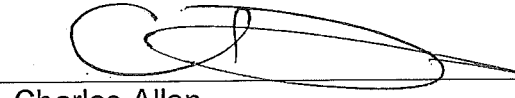
 6-10-13  
Alex Gurza Date  
Deputy City Manager

 6/11/13  
Jennifer Schembri Date  
Deputy Director of  
Employee Relations

 6/11/13  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee  
Relations

**FOR THE UNION:**

 6/10/13  
LaVerne Washington Date  
President  
CEO, AFSCME Local 101

 6/10/13  
Charles Allen Date  
Business Agent  
  
AFSCME, Local 101

**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**ARTICLE 25 RETIREE HEALTHCARE FUNDING AND BENEFITS**

- 25.1 The City and the Union have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the “policy method”) to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan (“Plan”). The transition shall be accomplished by ~~phasing into fully funding the ARC over a period of five (5) years beginning~~began on June 28, 2009. The Plan’s initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan’s actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 25.2 The City and the Union further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above this~~ agreement and that the Union will support such amendments.
- 25.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees’ Retirement System Board’s actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be ~~divided into five steps (using a straight line method), each to be effective on the first pay period of the City’s fiscal year in each succeeding year, the first increment which was~~ The first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members’ contribution rate is 4% of pensionable pay, the subsequent fiscal year’s contribution rate for retiree

**CITY OF SAN JOSE – IBEW  
TENTATIVE AGREEMENT**

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healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, ~~by the end of the five year phase-in,~~ the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

- 25.4 The City will ~~has~~ established a qualified 115 trust ("Trust") ~~before June 27, 2010.~~ Employee contributions will begin going into the Trust in time to avoid any potential of reaching the IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.
- 25.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.
- 25.6 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.
- 25.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.
- 25.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

**ARTICLE 9 FULL UNDERSTANDING, MODIFICATION AND WAIVER**

9.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memorandum of Agreement, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.

9.2 Existing benefits provided by ordinance or resolution of the City Council or as provided in the San Jose Municipal Code and which are referenced in the Agreement shall be provided in accordance with the terms of the Agreement.

9.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to the Memorandum of Agreement be administered and observed in good faith.

9.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.

9.5 Healthcare Cost Mitigation

9.5.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.

9.5.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

5.5 Health Insurance Coverage

5.5.1 Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.



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- 5.5.2 Effective December 23, 2012, the City pays' eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by IBEW in addition to the existing plan options.*

5.6 Dental Insurance

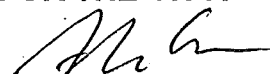
- 5.6.1 The City will provide dental coverage for eligible full-time employees and their dependents. As of the date of this agreement the plans include an indemnity plan and a DHMO plan. These plans are described in the City of San Jose Employee Benefits Handbook. A copy of this document shall be available upon request in the Human Resources Department. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

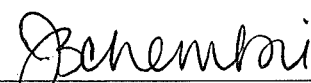
**CITY OF SAN JOSE – IBEW  
TENTATIVE AGREEMENT**

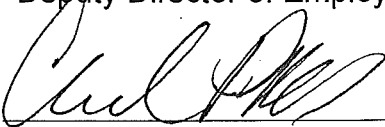
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***This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.***

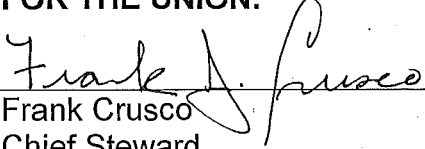
**FOR THE CITY:**

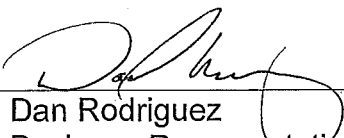
 6-11-13  
Alex Gurza Date  
Deputy City Manager

 6/11/13  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/11/13  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

**FOR THE UNION:**

 6-10-13  
Frank Crusco Date  
Chief Steward  
IBEW, Local 332

 6/10/13  
Dan Rodriguez Date  
Business Representative  
IBEW, Local 332

**CITY OF SAN JOSE – MEF, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

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**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**ARTICLE 15 RETIREE HEALTHCARE FUNDING AND BENEFITS  
(Current Article 15 and subsequent articles to be re-numbered)**

- 15.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition shall ~~be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 28, 2009~~ began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 15.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with ~~the above this~~ agreement and that the Employee Organization will support such amendments.
- 15.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be divided into five steps ~~(using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was~~ The first increment of the phase-in shall be effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~ the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example,

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if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five year phase-in, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

- 15.4 The City will has established a qualified 115 trust ("Trust") before June 27, 2010. Employee contributions will begin going into the Trust in time to avoid any potential of reaching IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first. Until such time as a Trust is established, the City and employee contributions under this agreement shall be made into the existing Medical Benefits Account for as long the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties agree to meet and discuss alternative funding vehicles.
- 15.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax. The parties agree that the foregoing resolves the issues underlying unfair practice charge no. SF-CE-972-M filed by the Employee Organization on June 18, 2012. Therefore, the Employee Organization agrees to withdraw the charge no later than fifteen (15) calendar days after the execution of this agreement.
- 15.6 It is the objective of the parties that the Trust created pursuant to this agreement shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.
- 15.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.

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15.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

**3.1 Full Understanding, Modification And Waiver**

3.1.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memoranda of Understanding, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.

3.1.2 Existing benefits within the scope of representation, provided by ordinance or resolution of the City Council or provided in the San José Municipal Code shall be continued without change during the term of this Agreement. Such existing benefits, which are referenced in the Agreement, shall be provided in accordance with the terms of the Agreement.

3.1.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.

3.1.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.

3.1.5 ~~Healthcare Cost Mitigation~~Notwithstanding Article 3.1.4 and Article 14, the City may notify the Organization in writing once during the term of this Agreement of its desire to reopen negotiations regarding retiree healthcare benefits. Upon such notice being given, the duly authorized representatives of the parties shall meet and confer in good faith in an effort to reach a mutual agreement with respect to retiree healthcare benefits. If no agreement is reached, the parties will follow the impasse procedures set forth in the City of San Jose's Employer-Employee Relations Resolution (#39367) and the Meyers Miliias Brown Act. The parties understand that this means that, notwithstanding any other provision of this agreement, the City will have the right to unilaterally implement in the event that no agreement is reached at the conclusion of negotiations and mandatory impasse procedures.

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**ARTICLE 13 BENEFITS**

13.1 Health Insurance. Eligible employees may elect health insurance coverage under one of the available plans for employee only or employee and dependents. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

~~13.1.1 Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

13.1.12 Effective December 23, 2012, the City pays eighty-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente 1500 Deductible HMO Benefit Plan 3800 will be available to employees represented by MEF in addition to the existing plan options.*

13.2 Dental Insurance. The City will provide dental coverage for eligible full-time employees and their dependents. As of the date of this agreement the plans include an indemnity plan and a DHMO plan. These plans are described in the City of San Jose Employee Benefits Handbook. A copy of this document shall be available upon request in the Human Resources Department. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

**CITY OF SAN JOSE – MEF, AFSCME LOCAL 101**  
**TENTATIVE AGREEMENT**

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3.1.5.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to reduce the unfunded liability and options for current employees that comply with IRS regulations.


3.1.5.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

**CITY OF SAN JOSE – MEF, AFSCME LOCAL 101  
TENTATIVE AGREEMENT**

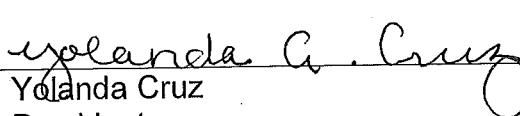
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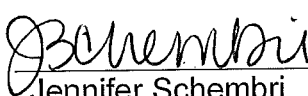
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**FOR THE CITY:**

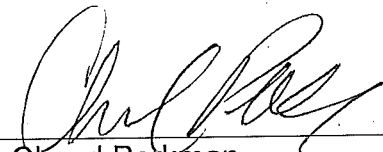
 6-11-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

**FOR THE UNION:**

 6/10/13  
\_\_\_\_\_  
Yolanda Cruz Date  
President  
MEF, AFSCME Local 101

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/10/13  
\_\_\_\_\_  
Charles Allen Date  
Business Agent  
AFSCME, Local 101

 6/11/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations



**CITY PROPOSAL – RETIREE HEALTHCARE**

Proposed Language:

**ARTICLE 27 RETIREE HEALTHCARE FUNDING AND BENEFITS**

- 27.1 Effective June 28, 2009, the City and the Union began ~~transitioning~~ have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the “policy method”) to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan (“Plan”). The transition shall ~~be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning~~ began on June 28, 2009. The Plan’s initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan’s actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 27.2 The Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement above.
- 27.3 The phase-in to the ARC shall be ~~divided in five steps (using a straight line method), each to be effective on the first pay period of the City’s fiscal year in each succeeding year.~~ The first increment of the phase-in shall be which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of each ~~increase~~ the ARC may vary upward or downward. The Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members’ contribution rate is 4% of pensionable pay, the subsequent fiscal year’s contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. Notwithstanding the limitations on the incremental increases, by the end of the five-year phase-in, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on December 21, 2014. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required

**CITY OF SAN JOSE – OE#3  
TENTATIVE AGREEMENT**

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Contribution in the ratio currently provided under Section 3.28.3850 (C) (1) and (3) of the San Jose Municipal Code.

27.4 The City has established a qualified 115 trust ("Trust"). Employee contributions will begin going into the Trust in time to avoid any potential of reaching the IRS limits on the existing medical benefits account or upon receipt of a ruling from the IRS that the contributions can be treated as pre-tax, whichever occurs first.

~~27.4 Until such time as a Trust is established, the City and employee contributions shall be made into the existing Medical Benefits Account for as long as the contributions can be made into the Medical Benefits Account in accordance with IRS limitations. If the Trust is not established prior to reaching the IRS limitation, the parties will meet to discuss alternative funding vehicles.~~

27.5 If employee contributions are deposited into the Trust prior to receiving a ruling from the IRS that the contributions can be treated as pre-tax and the City subsequently receives an IRS determination that the contributions should be treated as post-tax, the City agrees to indemnify any employee as to any IRS liability arising solely from the contributions that were taken as pre-tax prior to the IRS determination. The City and the Employee Organization will immediately meet and confer over an alternative trust vehicle for the prospective contributions should the IRS determine that the contributions are post-tax.

27.6 It is the objective of the parties that the Trust created pursuant to the above shall become the sole funding vehicle for Federated retiree healthcare benefits, subject to any legal restrictions under the current plan, or other applicable law.

27.7 Employees hired into full-time benefited positions on or after the first payperiod following the effective date of the ordinance implementing this provision ("Effective Date") will not participate in or be eligible for the defined benefit retiree healthcare program. The City will pay the unfunded liability contribution that these employees and the City would have otherwise paid had they gone into the retiree healthcare defined benefit program.

27.8 Neither the City nor the Employee Organization waives any rights or assertions, each may have, related to the retiree healthcare benefit through any of the provisions of this Article.

## **ARTICLE 9 FULL UNDERSTANDING, MODIFICATION AND WAIVER**

**9.1** This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memorandums of Agreement, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.

**CITY OF SAN JOSE – OE#3**  
**TENTATIVE AGREEMENT**

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- 9.2 Existing benefits provided by ordinance or resolution of the City Council or as provided in the San Jose Municipal Code and which are referenced in the Agreement shall be provided in accordance with the terms of the Agreement.
- 9.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.
- 9.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this agreement.

9.5 Healthcare Cost Mitigation.

- 9.5.1 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retiree healthcare benefits and funding upon request of either party, but no earlier than January 1, 2014. This may include but is not limited to alternatives to the unfunded liability and options for current employees that comply with IRS regulations.
- 9.5.2 Negotiations between the City and Employee Organization shall commence within 14 days upon notice of either party, but no earlier than January 1, 2014. The City and Employee Organization shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

5.5 Health Insurance

- 5.5.1 Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.
- ~~5.5.2 Effective pay date July 1, 2011, the City pays eighty five percent (85%) of the cost of the lowest priced plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced plan. If the employee selects a plan other than the lowest priced plan, the employee pays the difference between the~~

**CITY OF SAN JOSE – OE#3**  
**TENTATIVE AGREEMENT**

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~~total cost of the selected plan and the City's contribution towards the lowest priced plan.~~

5.5.2 Effective December 23, 2012, the City pays eight-five percent (85%) of the cost of the lowest priced Non-Deductible HMO plan for the employee or the employee and dependent coverage and the employee pays fifteen percent (15%) of the premium for the lowest priced Non-Deductible HMO plan. If the employee selects a plan other than the lowest priced Non-Deductible HMO plan, the employee pays the difference between the total cost of the selected plan and the City's contribution toward the lowest priced Non-Deductible HMO plan.

*Effective January 1, 2013, Kaiser Permanente Deductible 1500 HMO Benefit Plan 3800 will be available to employees represented by OE#3 in addition to the existing plan options.*


5.6 Dental Insurance. The City will provide dental coverage for eligible full time employees and their dependents in accordance with one of the two available plans. Effective January 1, 2014, all available plans will have a 4-tier rate structure (Employee, Employee plus spouse/domestic partner, Employee plus Child(ren) and Family). The premiums will be adjusted effective the first payperiod in payroll calendar year 2014, which starts December 22, 2013.

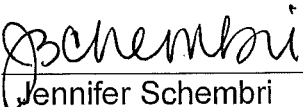
**CITY OF SAN JOSE – OE#3  
TENTATIVE AGREEMENT**


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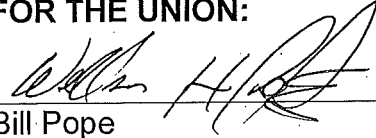
**FOR THE CITY:**

 6-11-13  
\_\_\_\_\_  
Alex Gurza Date  
Deputy City Manager

 6/11/13  
\_\_\_\_\_  
Jennifer Schembri Date  
Deputy Director of Employee Relations

 6/11/13  
\_\_\_\_\_  
Cheryl Parkman Date  
Executive Analyst  
Office of Employee Relations

**FOR THE UNION:**

 6/10/13  
\_\_\_\_\_  
Bill Pope Date  
Business Representative  
Operating Engineers, Local 3